

Texas Chapter ISA – Financial Policies and Procedures

Adopted: April 12, 2013

PURPOSE

The Financial Policies described herein are designed to provide a comprehensive framework for the management of financial resources of the **Texas Chapter** of ISA. They provide guidelines for decision-making by the governing board and staff on how financial resources shall be utilized to fulfill the mission of the **Texas Chapter** of ISA, meet obligations and protect the interests of the association.

Accounting Method

Texas Chapter of ISA will use the cash basis of accounting that recognizes revenues when they have been received and expenses when they have been paid.

Financial record keeping

The Chapter Executive Director will maintain all financial records. The Treasurer is responsible for review of financial records and reports.

Finance Committee

The Board will select the Finance Committee. The Committee will consist of the Chapter Treasurer, one Board member, and one non-Board member.

This committee reviews regular financial reports, and financial policies and procedures. In addition, this committee reviews the annual budget prior to being presented to the Board. To the extent that the Finance Committee has specific operational recommendations, these recommendations should be forwarded to the Board for final review of the budget. Further, this committee receives the auditor's annual report and management letter, or reviewed financial statements, if applicable.

The Board of Directors reviews the recommendations of the Finance Committee. After the review the Board may direct the Treasurer to make any necessary changes. The Board has final authority for approval of annual budget.

Financial Transactions and reporting

Cash Receipts

If the money is payments by members for various types of revenue (publications, videos, conference registration, member dues, etc.), the checks are forwarded to the ED for data entry. ED will make copies of the checks and physically deposit all funds to the appropriate accounts at a financial institution, as needed. ED will keep check copies on file electronically and email copies to Treasurer.

Alternatively, the checks could be deposited electronically via the ED's computer for the benefit of timeliness and efficiency. The electronic scans of the check and the deposit slip can be emailed to the Treasurer for review. Once the electronic approval is received from Treasurer, the ED will process the electronic deposit to the bank account. The ED will enter the deposits into the accounting system.

Check Endorsement/Stamp

Checks for deposit will be endorsed with a stamp(s) as follows:

Texas Chapter of ISA for deposit only
Account Number

Credit Card Receipts

Texas Chapter of ISA currently accepts credit/debit cards at bookstores as well as on the telephone and web. In response to increasing incidents of identity theft, the major payment card companies created the Payment Card Industry Data Security Standard (PCI DSS) to help prevent theft of customer data. PCI DSS applies to all businesses that accept payment cards to procure goods or services. Compliance with this Standard is enforced by the payment card companies. **Texas Chapter** of ISA is responsible for safeguarding and protecting all consumer data received with credit card transactions in accordance with applicable laws and regulations such as PCI-DSS. Third party service providers the Chapter is using in whole or in part to accomplish on line acceptance of credit cards must provide a copy of their compliance certificate.

- Card Swipe and POS (Point of Sale) terminals that retain credit card information are permitted.
- The use of Virtual Terminals that employ a Card-Not-Present method is the only approved way of accepting credit cards.
- It is not permitted to retain full credit card information on file in any form once the transaction is complete.

Electronic - Credit card numbers will not be stored in electronic form. It is permissible to retain the last four digits of the credit card number.

Paper – According to the credit card issuers and Federal regulation merchants are required to retain the original copies of charge slips for 2 years. The slips should be in a secure location with limited access for a brief and then placed in storage for the rest of the 2 year period. Immediately following the 2 year period, all records must be destroyed.

The ED will perform monthly reconciliations between the system recording the sales transactions and the bank postings. ED will copy Treasurer with this information.

Expense approval procedure and payments

All invoices are to be forwarded to the ED. The ED will review the invoice for completeness and accuracy, and will assign the account number to the expense/invoices through the appropriate accounting system. The ED shall have discretionary authority to execute payments of up to \$1500 for budgeted items. Invoices and checks for payments in excess of \$1500 shall be scanned and forwarded to the Treasurer for approval.

Non- budgeted expenses in excess of \$500 will require approval by the Executive Committee. In addition, non-budgeted expenses will be discussed at Executive Committee meetings in order to assess the impact on other areas.

Unless otherwise stated, all invoices will be paid net 30 days. The ED shall provide a monthly check register to the Treasurer.

Alternatively, access to bank accounts will be set to allow ED to create the e-payments on **Texas Chapter** of ISA bank's website, with Treasurer logging in to approve the e-payment before funds can be sent for the benefit of timeliness and efficiency. ED will notify Treasurer when the e-payments are ready for approval. E-payments must be approved by Treasurer within 5 business days.

Check writing and wire transfers

For checks or wires drawn on checking accounts, the signature of the ED is required. To maintain separation, ED cannot transfer funds, without prior approval of the Board of Directors.

Bank Reconciliations

Bank statements will be delivered electronically to ED and Treasurer, who reviews them upon receipt. ED and Treasurer both have access to electronic statements. ED will reconcile accounting system to the bank statement monthly. Treasure will review statement to ensure checks approved through "Cash payments" correspond with checks that have cleared the account.

Expense budgeting and tracking

The ED and the Treasurer will prepare an annual budget for the Texas Chapter of ISA. Each committee chair is responsible for the committee budget

The proposed budget will be reviewed by the Finance Committee for a recommendation to the Board of Directors. The Board shall be responsible for the approval of the annual budget. Budget information will be included with the monthly financial reports (actual vs. budget) presented and reviewed by the Finance Committee and the Board. This information should serve to facilitate the flow of expenditures, and provide support for movement of expenditures from line item to line item, while ensuring that net performance is not affected.

ED and committees will be expected to continually work on controlling and reducing expenses. This policy is intended to maintain the budget as a "living document" that supports management decision-making.

Financial Statement Preparation/Review

It is the policy of **Texas Chapter** of ISA to prepare and distribute quarterly financial statements that will include the Balance Sheet (Statement of Financial Position), an Income Statement, and any Supplemental Statements. These statements will be prepared and distributed within 20 working days after the close of the quarter.

The statements will be distributed to the Treasurer for initial review, and then the Executive Committee of the Board and the Finance Committee, then the **Texas Chapter** of ISA Board of Directors.

The ED and Treasurer review these quarterly to ensure their accuracy, as well as to track revenues/expenses vs. budget for the organization. Financial information and trends will be released to other groups advising of important information and changes within the finances that may affect the organization. ED is expected to report on plans of action to ensure that budgeted goals are met. The Finance Committee's review, as well as that of the Treasurer helps maintain additional control over the integrity of the financial information.

Auditor/Tax professional

Selection of Firm

Texas Chapter of ISA will contract on an annual basis with a Certified Public Accountant (CPA) firm / Accountant selected by the Finance Committee to audit or review the financial statements and controls of the organization. In addition, the firm serves as an advisor and consultant

Audit & Tax Reporting

While the accountants/auditors are hired by and will report to the Finance/Audit Committee, the ED will coordinate the process of the audit. ED will provide financial information as needed to the outside accountant for purposes of the audit or review and for tax preparation. Tax returns will be reviewed and signed by the Treasurer.

Audit / Review Statements

It is the policy of Texas Chapter of ISA to distribute the audited or reviewed financial statements to the Board of Directors and to organizations entitled to receive a copy because of contractual agreement. The decision to publish the statements or otherwise make them available to the membership will be made by the Board at its meeting following the issuance of the statements.

The authority to distribute the statements to other individuals or firms requesting them will be left to the discretion of the Executive Director.

Texas Chapter of ISA will work with the independent CPA / Accounting firm to ensure adequate segregation of duties exist. Suggestions on improving controls through duty segregation will be given serious consideration, and staff will be required to participate in the interest of both the organization and the employee.

Internal Revenue Service (IRS) Forms

Form 990

It is the policy of **Texas Chapter** of ISA to allow public access to IRS Form 990. This access will be provided at the organization's headquarters at a time mutually agreeable between the organization and the individual requesting the inspection. Requests for copies of Form 990 may be denied, and Form 990 will not be mailed under any circumstance without the approval of Executive Director or the President.

Form 990-T / Unrelated Business Income Tax (UBIT)

Texas Chapter of ISA will pay UBIT on the excess of revenues over expenses on taxable activities. These activities will be clearly classified and designated in the financial records to provide adequate documentation in the event of an IRS audit.

The organization will file IRS Form 990-T to report unrelated activities. Form 990-T is considered confidential and is not available for public inspection.

Form 1099

It is the policy of the organization to complete IRS Form 1099 for all individuals and vendors receiving \$600 or more from the organization as stipulated by IRS regulations.

Sales Tax

Texas Chapter of ISA will register with the Texas Comptroller of Public Accounts. **Texas Chapter** of ISA is required to charge and remit sales tax imposed on **Texas Chapter** of ISA's receipts from sales of tangible personal property for use or consumption by a user in **Texas** and any other state in which the organization maintains a physical presence, including remote workers. Tangible personal property does not include real estate, stocks, bonds, or other "paper" assets representing an interest.

If a vendor who is a seller (typically an out-of-state business, such as a catalog company or a retailer making sales on the Internet) does not charge **Texas Chapter** of ISA as a buyer, Texas State Sales Tax, **Texas Chapter** of ISA must pay the tax directly to the department. Sales tax is a combination of "occupation" taxes that are imposed on sellers' receipts and "use" taxes that are imposed on amounts paid by purchasers.

The ED will prepare and remit appropriate reports to the Texas Comptroller of Public Accounts on a timely basis.

Net Assets Classification

Board-Designated Funds/ Unrestricted Net Assets

It is the policy of the organization to treat board-designated funds as unrestricted net assets on the statement of financial position. A statement of activity for board-designated funds will be included with footnotes to the financial statements as supplemental information.

Temporarily Restricted Net Assets

It is the policy of the organization to add all temporarily restricted net assets together for statement of financial position presentation. A separate Statement of Activity for Temporarily Restricted Net Assets will be included with the financial statements.

Permanently Restricted Net Assets

It is the policy of the organization to add all permanently restricted net assets together for the statement of financial position presentation. A separate Statement of Activity for Permanently Restricted Net Assets will be included with the financial statements.

Issuing Credit

Credit status approval

Extensions of credit will only be made to "approved" entities. This approval process will require the completion of a credit application. Credit will only be extended to qualifying businesses, municipalities, schools, and non-profits. Credit will not be extended to individuals, unless they operate a qualifying business as a sole proprietorship. Any credit extended will be tracked under the name of the qualifying entity. All billings will be addressed to the qualifying entity.

In determining credit approval, the credit application information, a formal credit check, the business type, and any past **Texas Chapter** of ISA account history may be considered. Ultimate approval will be made on a case-by-case basis. This approval will come from the ED. All credit approval information will be filed and maintained by the ED.

If the following two conditions are met, **Texas Chapter** of ISA may issue an invoice on credit, even if the company has not had a credit application approved:

- The entity is a governmental agency or municipality.
- The purchaser has acquired a purchase order from their entity and has sent it to **Texas Chapter** of ISA. The original purchase order must be filed with the order paperwork.

All invoices issued by **Texas Chapter** of ISA are to be paid on terms of net 30 days. Unpaid invoices that extend beyond 30 days will be subject to a finance charge of 1.5% per month, or any portion thereof. The minimum finance charge will be \$5.00. In the event that invoices are not paid on a timely basis, payment terms may be modified. For chronic non-payment, terms will be C.O.D plus a percentage of the outstanding balance. The determination to alter terms will be made by the Treasurer, with review by the Board.

Other Policy Statements

Travel approval

All non-budgeted travel will require approval by the Board. Such approval will only be granted in cases where there is a clear need and benefit to **Texas Chapter** of ISA.

Any issues relating to travel expenses shall be referred to the Board for resolution. This includes, among other things, flight or hotel bookings that result in other than reasonable charges being assessed to **Texas Chapter** of ISA. The resolution recommended by the Board may include an invoice to the person incurring the expense, or the withholding of reimbursement.

Contracts

The ED or his/her designee will sign all contracts entered into by **Texas Chapter** of ISA, with the exception being any contract whereby the ED is the beneficiary, in which case the Chapter President should sign on behalf of the Chapter. In the case of contracts that become routine in nature and are budgeted (i.e. printing for periodicals, hotels, mailing), approval for signing authority is granted to the ED. Contracts that result in a non-budgeted expense of \$1,000 or more will require approval by the ED and Board. The ED, or his/her designee, is responsible for reviewing and approving contracts, similar to the approval of invoices.

Insurance

Texas Chapter of ISA will periodically have an independent insurance consultant/agent review the organization's insurance policies to ensure coverage and limitations adequately meet the needs of the organization, members, and employees.

Independent Contractors

Texas Chapter of ISA will evaluate criteria established by the IRS when assigning individual employee or independent contractor status. Individuals qualifying as independent contractors will sign an “Independent Contractor Agreement” or a “Work For Hire Agreement” and will be issued IRS Form 1099 if compensation is \$600 or more.

Loans Prohibited

It is the policy of **Texas Chapter** of ISA to prohibit loans to employees and members under all circumstances.